

**CITY OF ONIDA**  
**AUDITED FINANCIAL STATEMENTS**  
**TWO YEARS ENDED DECEMBER 31, 2015**

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LEGISLATIVE AUDIT

**CITY OF ONIDA**  
**CITY OFFICIALS**  
**DECEMBER 31, 2015**

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Mayor:

Gary Wickersham

Governing Board:

Barb Rilling  
Marla Mosiman  
Bob Porter  
Joel Miller  
Don Goddard  
Jane Pitlick

Finance Officer:

Rondha Hiller

Attorney:

Emily Sovell

# CITY OF ONIDA

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**CITY OF ONIDA**  
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**KOHLMAN, BIRSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PARTNERS

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WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council  
City of Onida  
Onida, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Onida, South Dakota (City), as of December 31, 2015, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 24, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2015-01 and #2015-02 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings as items #2015-03 and #2015-04.

### **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

*Kohlman, Bierachbach & Anderson, LLP*

October 24, 2016

**CITY OF ONIDA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**DECEMBER 31, 2015 AND 2014**

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PRIOR AUDIT FINDINGS:

#2013-01

A material weakness was reported for a lack of segregation of duties for cash, inventory, capital assets, equity, revenues, and budget, which could result in errors not being found in a timely manner. This condition is restated as current audit finding #2015-01.

#2013-02

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements. This comment is restated as current audit finding #2015-02.

#2013-03

The City had improvements done in the Electric Fund that exceeded \$50,000 that were required to be bid, but the improvements were not bid before the work was done. This comment is restated as current audit finding #2015-03.

**CITY OF ONIDA**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**DECEMBER 31, 2015 AND 2014**

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CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2015-01

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting, and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, inventory, capital assets, equity, revenues, and budget, which could result in errors not being found in a timely manner.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Onida has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, inventory, capital assets, equity, revenues, and budget. It is not known how long this comment has been carried forward.

Recommendation

The City is aware of this problem and is attempting to provide compensating controls wherever and whenever possible and practical.

Management's Response

Gary Wickersham is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the City of Onida which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Onida has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, inventory, capital assets, equity, revenues, and budget. The City of Onida is aware of this problem and is attempting to provide compensating controls by having the council look at the books by reviewing vouchers and using dual signature on checks. However, this lack of segregation of duties regarding cash, inventory, capital assets, equity, revenues, and budget continues to exist.

Finding #2015-02

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with the modified cash basis of accounting.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.



**CITY OF ONIDA**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

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Effect

This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

Gary Wickersham is the contact person responsible for the corrective action plan for this comment. He stated that the City does not have enough staff to maintain this standard.

COMPLIANCE AND OTHER MATTERS:

Finding #2015-03

Criteria

SDCL 5-18A requires cities to bid certain items that they purchase, including purchases of \$25,000 or more for materials, building supplies, or equipment and purchases of \$50,000 or more for improvements, with certain exceptions.

Condition Found

The City had an electric project in the Electric Fund that exceeded \$50,000, purchased water meters for the water project and purchased a garbage truck that were required to be bid, but were not bid before the items were purchased.

Effect

The improvements were not properly bid before they were purchased. Therefore, they were not in accordance with South Dakota Codified Law.

Recommendation

We recommend the City properly bid all items that are required to be bid before they are purchased.

Management's Response

Gary Wickersham is the contact person responsible for the corrective action plan for this comment. He stated, "In the future, everything will be bid."

Finding #2015-04

**CITY OF ONIDA**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**  
**DECEMBER 31, 2015 AND 2014**  
**(CONTINUED)**

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Criteria

SDCL 9-21-9 limits expenditures to appropriate amounts.

Condition Found

The City had a material budget overdraft and a few immaterial budget overdrafts in 2014 and 2015 in the General Fund. See the listing of overdrafts in Note 2.

Effect

Budgets are required for all funds. Per SDCL 9-21-9, expenditures are limited to the appropriated amounts.

Recommendation

We recommend the City limit expenditures to the amount budgeted, adopt a supplemental appropriation ordinance, or make contingency transfers for small line item deficits.

Management's Response

Gary Wickersham is the contact person responsible for the corrective action plan for this comment. He stated the City will try to adhere to the budget and take into account any necessary emergency expenditures.

Closing Conference

The contents of this report were discussed with Gary Wickersham, Marla Mosiman, Bob Porter, Jane Pitlick, Don Goddard, and Rondha Hiller on July 5, 2016.

**KOHLMAN, BIRSCHBACH & ANDERSON, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PARTNERS

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WITH AN OFFICE IN  
MOBRIDGE, SOUTH DAKOTA

**INDEPENDENT AUDITORS' REPORT**

City Council  
City of Onida  
Onida, South Dakota

**Report on the Financial Statements**

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Onida, South Dakota (City), as of December 31, 2015, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Onida as of December 31, 2015, and the respective changes in financial position thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

### **Basis of Accounting**

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules and the Schedule of Changes in Long-Term Debt, listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

*Kohlman, Bierschbach & Anderson, LLP*

October 24, 2016

**CITY OF ONIDA**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2015**

---

	PRIMARY GOVERNMENT		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 90,195	\$191,796	\$ 281,991
Investments	1,122,406	633,269	1,755,675
Restricted Assets:			
Investments	<u>137,645</u>	<u>44,755</u>	<u>182,400</u>
TOTAL ASSETS	<u>\$1,350,246</u>	<u>\$869,820</u>	<u>\$2,220,066</u>
NET POSITION:			
Restricted for:			
Debt service purposes	\$ --	\$ 44,755	\$ 44,755
Pool renovations	137,645	--	137,645
Unrestricted	<u>1,212,601</u>	<u>825,065</u>	<u>2,037,666</u>
TOTAL NET POSITION	<u>\$1,350,246</u>	<u>\$869,820</u>	<u>\$2,220,066</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ONIDA**  
**STATEMENT OF ACTIVITIES -- MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 62,193	\$ 3,536	\$ --	\$ --	\$ (58,657)		\$ (58,657)
Public safety	69,296	4,694	--	--	(64,602)		(64,602)
Public works	72,460	--	43,336	2,845	(26,279)		(26,279)
Culture and recreation	56,961	25,546	--	22,526	(8,889)		(8,889)
Miscellaneous expenditures	<u>400</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(400)</u>		<u>(400)</u>
Total Governmental Activities	<u>261,310</u>	<u>33,776</u>	<u>43,336</u>	<u>25,371</u>	<u>(158,827)</u>		<u>(158,827)</u>
Business-Type Activities:							
Water	1,061,940	197,340	--	350,644		\$(513,956)	(513,956)
Sewer	23,223	76,903	--	--		53,680	53,680
Electric	898,744	868,095	--	--		(30,649)	(30,649)
Solid Waste	105,009	107,176	--	--		2,167	2,167
Airport	<u>21,047</u>	<u>--</u>	<u>--</u>	<u>--</u>		<u>(21,047)</u>	<u>(21,047)</u>
Total Business-Type Activities	<u>2,109,963</u>	<u>1,249,514</u>	<u>--</u>	<u>350,644</u>		<u>(509,805)</u>	<u>(509,805)</u>
Total Primary Government	<u>\$2,371,273</u>	<u>\$1,283,290</u>	<u>\$43,336</u>	<u>\$376,015</u>	<u>(158,827)</u>	<u>(509,805)</u>	<u>(668,632)</u>
General Revenues:							
Taxes:							
Property taxes					162,498	--	162,498
Sales taxes					278,928	--	278,928
State shared revenues					4,742	--	4,742
Unrestricted investment earnings					501	2	503
Debt issued					--	494,993	494,993
Miscellaneous revenue					2,748	23,072	25,820
Transfers					<u>(36,000)</u>	<u>36,000</u>	<u>--</u>
Total General Revenues and Transfers					<u>413,417</u>	<u>554,067</u>	<u>967,484</u>
Change in Net Position					254,590	44,262	298,852
Net Position - Beginning					<u>1,095,656</u>	<u>825,558</u>	<u>1,921,214</u>
Net Position - Ending					<u>\$1,350,246</u>	<u>\$869,820</u>	<u>\$2,220,066</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ONIDA**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 90,644	\$ 3,225	\$ --	\$ --	\$ (87,419)		\$ (87,419)
Public safety	66,902	314	6,538	--	(60,050)		(60,050)
Public works	124,258	--	41,536	--	(82,722)		(82,722)
Culture and recreation	55,658	20,435	--	35,653	430		430
Miscellaneous expenditures	<u>400</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(400)</u>		<u>(400)</u>
Total Governmental Activities	<u>337,862</u>	<u>23,974</u>	<u>48,074</u>	<u>35,653</u>	<u>(230,161)</u>		<u>(230,161)</u>
Business-Type Activities:							
Water	130,225	154,381	--	10,000		\$ 34,156	34,156
Sewer	16,778	77,071	--	--		60,293	60,293
Electric	1,170,143	936,736	--	--		(233,407)	(233,407)
Solid Waste	141,554	112,725	--	--		(28,829)	(28,829)
Airport	<u>10,603</u>	<u>--</u>	<u>--</u>	<u>50,751</u>		<u>40,148</u>	<u>40,148</u>
Total Business-Type Activities	<u>1,469,303</u>	<u>1,280,913</u>	<u>--</u>	<u>60,751</u>		<u>(127,639)</u>	<u>(127,639)</u>
Total Primary Government	<u>\$1,807,165</u>	<u>\$1,304,887</u>	<u>\$48,074</u>	<u>\$96,404</u>	<u>(230,161)</u>	<u>(127,639)</u>	<u>(357,800)</u>
General Revenues:							
Taxes:							
Property taxes					155,994	--	155,994
Sales taxes					255,947	--	255,947
State shared revenues					5,990	--	5,990
Unrestricted investment earnings					570	--	570
Miscellaneous revenue					<u>720</u>	<u>21,080</u>	<u>21,800</u>
Total General Revenues					<u>419,221</u>	<u>21,080</u>	<u>440,301</u>
Change in Net Position					189,060	(106,559)	82,501
Net Position - Beginning					<u>906,596</u>	<u>932,117</u>	<u>1,838,713</u>
Net Position - Ending					<u>\$1,095,656</u>	<u>\$825,558</u>	<u>\$1,921,214</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ONIDA**  
**BALANCE SHEET – MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

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	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 90,195
Investments	1,122,406
Restricted investments	<u>137,645</u>
 TOTAL ASSETS	 <u>\$1,350,246</u>
 FUND BALANCES:	
Restricted for:	
Swimming pool renovations	\$ 137,645
Assigned for:	
Applied to next year's budget	16,643
Unassigned	<u>1,195,958</u>
 TOTAL FUND BALANCES	 <u>\$1,350,246</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF ONIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

---

	<u>General Fund</u>
REVENUES:	
Taxes:	
General property taxes	\$ 162,091
General sales and use taxes	278,928
Amusement taxes	180
Penalties and interest on delinquent taxes	227
Licenses and Permits	3,536
Intergovernmental Revenue:	
State shared revenue:	
Bank franchise tax	650
Liquor tax reversion	4,092
Motor vehicle licenses (5%)	26,040
Local government highway and bridge fund	13,150
County shared revenue:	
County road tax (25%)	2,195
County wheel tax	1,951
Charges for Goods and Services:	
Public safety	4,511
Culture and recreation	25,546
Fines and Forfeits:	
Court fines and costs	183
Miscellaneous Revenue:	
Investment earnings	501
Special assessments	2,845
Contributions and donations from private sources	22,526
Other	<u>2,748</u>
 TOTAL REVENUE	 <u>551,900</u>
EXPENDITURES:	
General Government:	
Legislative	22,711
Elections	26
Financial administration	39,456
Public Safety:	
Police	56,201
Fire	13,095
Public Works:	
Highways and streets	72,460
Culture and Recreation:	
Recreation	46,169
Parks	10,792

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	General Fund
Miscellaneous:	
Liquor operating agreements	<u>400</u>
TOTAL EXPENDITURES	<u>261,310</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>290,590</u>
OTHER FINANCING USES	
Transfers out	<u>(36,000)</u>
TOTAL OTHER FINANCING USES	<u>(36,000)</u>
NET CHANGE IN FUND BALANCE	254,590
FUND BALANCE – BEGINNING	<u>1,095,656</u>
FUND BALANCE – ENDING	<u>\$1,350,246</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ONIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

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	<u>General Fund</u>
REVENUES:	
Taxes:	
General property taxes	\$ 155,432
General sales and use taxes	255,947
Amusement taxes	168
Penalties and interest on delinquent taxes	394
Licenses and Permits	3,225
Intergovernmental Revenue:	
State grants	6,538
State shared revenue:	
Bank franchise tax	874
Liquor tax reversion	5,116
Motor vehicle licenses (5%)	24,535
Local government highway and bridge fund	12,947
County shared revenue:	
County road tax (25%)	2,196
County wheel tax	1,858
Charges for Goods and Services:	
Culture and recreation	20,435
Fines and Forfeits:	
Court fines and costs	314
Miscellaneous Revenue:	
Investment earnings	570
Contributions and donations from private sources	35,653
Other	<u>720</u>
TOTAL REVENUE	<u>526,922</u>
EXPENDITURES:	
General Government:	
Legislative	36,144
Elections	22
Financial administration	54,478
Public Safety:	
Police	54,402
Fire	12,500
Public Works:	
Highways and streets	124,258
Culture and Recreation:	
Recreation	41,319
Parks	14,339
Miscellaneous:	
Liquor operating agreements	<u>400</u>

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	General <u>Fund</u>
TOTAL EXPENDITURES	<u>337,862</u>
NET CHANGE IN FUND BALANCE	189,060
FUND BALANCE – BEGINNING	<u>906,596</u>
FUND BALANCE – ENDING	<u>\$1,095,656</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ONIDA**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

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	Business – Type Activities					
	Enterprise Funds					
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Electric Fund</u>	<u>Solid Waste Fund</u>	<u>Airport Fund</u>	<u>Totals</u>
ASSETS:						
Current Assets:						
Cash and cash equivalents	\$ 37,771	\$ 62,437	\$ --	\$2,040	\$89,548	\$191,796
Investments	<u>93,220</u>	<u>363,793</u>	<u>176,256</u>	<u>--</u>	<u>--</u>	<u>633,269</u>
Total Current Assets	<u>130,991</u>	<u>426,230</u>	<u>176,256</u>	<u>2,040</u>	<u>89,548</u>	<u>825,065</u>
Noncurrent Assets:						
Restricted investments	<u>44,755</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>44,755</u>
Total Noncurrent Assets	<u>44,755</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>44,755</u>
TOTAL ASSETS	<u>\$175,746</u>	<u>\$426,230</u>	<u>\$176,256</u>	<u>\$2,040</u>	<u>\$89,548</u>	<u>\$869,820</u>
NET POSITION:						
Restricted for:						
Revenue bond debt service	\$ 44,755	\$ --	\$ --	\$ --	\$ --	\$ 44,755
Unrestricted	<u>130,991</u>	<u>426,230</u>	<u>176,256</u>	<u>2,040</u>	<u>89,548</u>	<u>825,065</u>
TOTAL NET POSITION	<u>\$175,746</u>	<u>\$426,230</u>	<u>\$176,256</u>	<u>\$2,040</u>	<u>\$89,548</u>	<u>\$869,820</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ONIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	Business – Type Activities Enterprise Funds					
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Airport Fund	Totals
OPERATING REVENUE:						
Charges for goods and services	\$ 152,585	\$ 76,903	\$ 868,095	\$107,176	\$ --	\$1,204,759
Revenue dedicated to servicing debt	<u>44,755</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>44,755</u>
TOTAL OPERATING REVENUE	<u>197,340</u>	<u>76,903</u>	<u>868,095</u>	<u>107,176</u>	<u>--</u>	<u>1,249,514</u>
OPERATING EXPENSES:						
Personal services	31,742	11,979	23,889	62,998	--	130,608
Other current expense	20,673	11,244	134,429	13,707	21,047	201,100
Materials (cost of goods sold)	91,296	--	740,426	26,629	--	858,351
Capital assets	<u>918,229</u>	<u>--</u>	<u>--</u>	<u>1,675</u>	<u>--</u>	<u>919,904</u>
TOTAL OPERATING EXPENSES	<u>1,061,940</u>	<u>23,223</u>	<u>898,744</u>	<u>105,009</u>	<u>21,047</u>	<u>2,109,963</u>
OPERATING INCOME (LOSS)	<u>(864,600)</u>	<u>53,680</u>	<u>(30,649)</u>	<u>2,167</u>	<u>(21,047)</u>	<u>(860,449)</u>
NONOPERATING REVENUE :						
Capital grants	350,644	--	--	--	--	350,644
Investment earnings	2	--	--	--	--	2
Rental revenue	--	--	--	--	23,047	23,047
Long-term debt issued	494,993	--	--	--	--	494,993
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>25</u>	<u>25</u>
TOTAL NONOPERATING REVENUE	<u>845,639</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>23,072</u>	<u>868,711</u>
INCOME (LOSS) BEFORE TRANSFERS	(18,961)	53,680	(30,649)	2,167	2,025	8,262
TRANSFERS IN	<u>--</u>	<u>--</u>	<u>--</u>	<u>36,000</u>	<u>--</u>	<u>36,000</u>
CHANGE IN NET POSITION	(18,961)	53,680	(30,649)	38,167	2,025	44,262
NET POSITION - BEGINNING	<u>194,707</u>	<u>372,550</u>	<u>206,905</u>	<u>(36,127)</u>	<u>87,523</u>	<u>825,558</u>
NET POSITION - ENDING	<u>\$ 175,746</u>	<u>\$426,230</u>	<u>\$ 176,256</u>	<u>\$ 2,040</u>	<u>\$ 89,548</u>	<u>\$ 869,820</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ONIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2014**

	Business – Type Activities Enterprise Funds					Totals
	Water Fund	Sewer Fund	Electric Fund	Solid Waste Fund	Airport Fund	
OPERATING REVENUE:						
Charges for goods and services	<u>\$154,381</u>	<u>\$ 77,071</u>	<u>\$ 936,736</u>	<u>\$112,725</u>	<u>\$ --</u>	<u>\$1,280,913</u>
TOTAL OPERATING REVENUE	<u>154,381</u>	<u>77,071</u>	<u>936,736</u>	<u>112,725</u>	<u>--</u>	<u>1,280,913</u>
OPERATING EXPENSES:						
Personal services	23,854	10,561	26,422	55,755	--	116,592
Other current expense	8,827	6,217	139,876	12,727	10,603	178,250
Materials (cost of goods sold)	87,484	--	788,744	22,659	--	898,887
Capital assets	<u>10,060</u>	<u>--</u>	<u>215,101</u>	<u>50,413</u>	<u>--</u>	<u>275,574</u>
TOTAL OPERATING EXPENSES	<u>130,225</u>	<u>16,778</u>	<u>1,170,143</u>	<u>141,554</u>	<u>10,603</u>	<u>1,469,303</u>
OPERATING INCOME (LOSS)	<u>24,156</u>	<u>60,293</u>	<u>(233,407)</u>	<u>(28,829)</u>	<u>(10,603)</u>	<u>(188,390)</u>
NONOPERATING REVENUE:						
Capital grants	10,000	--	--	--	50,751	60,751
Rental revenue	--	--	--	--	21,045	21,045
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>35</u>	<u>35</u>
TOTAL NONOPERATING REVENUE	<u>10,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>71,831</u>	<u>81,831</u>
CHANGE IN NET POSITION	34,156	60,293	(233,407)	(28,829)	61,228	(106,559)
NET POSITION - BEGINNING	<u>160,551</u>	<u>312,257</u>	<u>440,312</u>	<u>(7,298)</u>	<u>26,295</u>	<u>932,117</u>
NET POSITION - ENDING	<u>\$194,707</u>	<u>\$372,550</u>	<u>\$ 206,905</u>	<u>\$(36,127)</u>	<u>\$87,523</u>	<u>\$ 825,558</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ONIDA**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2015**

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	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ <u>4,732</u>
TOTAL ASSETS	\$ <u>4,732</u>
NET POSITION:	
Net position held in agency capacity	\$ <u>4,732</u>
TOTAL NET POSITION	\$ <u>4,732</u>

The notes to the financial statements are an integral part of this statement



**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. Financial Reporting Entity:

The reporting entity of the City of Onida, (City) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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NOTE 1 - (Continued)

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Water Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

Electric Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City electrical system and related facilities. (SDCL 9-39-1 and 9-39-26) This is a major fund.

Solid Waste Fund - To account for the collection and disposal of solid waste from the City. (SDCL 9-32-11 and 34A-6) This is a major fund.

Airport Fund - To account for the acquisition, construction and operation of the City airport. (SDCL 50-7-2) This is a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and is never considered to be a major fund:

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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NOTE 1 - (Continued)

Agency Funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City maintains an agency fund to account for the income and expenses associated with the Phoenix Center.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are:

1. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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NOTE 1 - (Continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

f. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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NOTE 1 - (Continued)

g. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in two components:

1. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net position - All other net position that does not meet the definition of restricted net position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Agency Funds have no fund equity. The Net Position is reported as Net Position Held in Agency Capacity.

h. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

i. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council.
5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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NOTE 1 - (Continued)

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

	<u>Year Ended</u> <u>12/31/2015</u>	<u>Year Ended</u> <u>12/31/2014</u>
General Fund:		
<u>Activity:</u>		
General Government - Legislative	\$ --	\$ 176
General Government - Financial Administration	\$ 1,004	\$14,756
Public Safety - Police	\$ 101	\$ --
Public Safety - Fire	\$ 595	\$ --
Transfers Out	\$36,000	\$ --

The City plans to take the following actions to address these violations: Supplement the budget and make contingency transfers.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of all the funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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NOTE 3 - (Continued)

Investments - In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2015, the City had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
External Investment Pools:			
SDFIT	Unrated	<u>\$1,918,338</u>	<u>\$1,918,338</u>

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from cities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in SDFIT (99%).

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$137,645	For swimming pool renovation in the General Fund
\$ 44,755	For debt service by covenants in the Water Fund

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**NOTE 5 - PROPERTY TAXES**

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

**NOTE 6 - RESTRICTED NET POSITION**

Restricted net position for the year ended December 31, 2015, was as follows:

**Major Purposes:**

Swimming Pool Renovation Purposes - General Fund	\$137,645
Debt Service Purposes - Water Fund	\$ 44,755

These balances are restricted by the terms of the donors and debt covenants.

**NOTE 7 - INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2015, were as follows:

<u>Transfer From:</u>	<u>Transfer to:</u>
Major Funds:	Solid Waste Fund
General Fund	<u>\$36,000</u>

The City made a one-time operating transfer from the General Fund to the Solid Waste Fund to conduct the indispensable functions of the City.

**NOTE 8 - RETIREMENT PLAN**

**Plan Information:**

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605)773-3731.



**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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NOTE 8 - (Continued)

**Benefits Provided:**

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7 percent prior to 2008 and 1.55 percent thereafter of the employee's final 3-year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4 percent for service prior to 2008 and 2.0 percent thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733 percent for service prior to 2008 and 3.333 percent thereafter of employee final average compensation. All Class B employees with 3 years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1<sup>st</sup> is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more - 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
  - 90.0% to 99.9% funded - 2.1% minimum and 2.8% maximum COLA
  - 80.0% to 90.0% funded - 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% - 2.1% COLA

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

**Contributions:**

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2015, 2014, and 2013 were \$8,716, \$7,908, and \$8,136, respectively, equal to the required contributions each year.

**Pension Liabilities (Assets):**

At June 30, 2015, SDRS is 104.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of June 30, 2015, are as follows:

Proportionate share of net position restricted for pension benefits	\$765,964
Less proportionate share of total pension liability	<u>735,818</u>
Proportionate share of net pension asset	<u>\$ 30,146</u>

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**NOTE 8 - (Continued)**

The net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the City's proportion was 0.0071077%, which is a decrease of .0010625% from its proportion measured as of June 30, 2014.

**Actuarial Assumptions:**

The total pension asset in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	5.83 percent at entry to 3.87 percent after 30 years of service
Investment Rate of Return	7.25 percent through 2016 and 7.50 percent thereafter, net of pension plan investment expense.

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2011. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	<u>2.0%</u>	0.0%
Total	<u>100%</u>	

**Discount Rate:**

The discount rate used to measure the total pension asset was 7.25 percent through 2016 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that plan member

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**NOTE 8 - (Continued)**

contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

**Sensitivity of liability (asset) to changes in the discount rate:**

The following presents the City's proportionate share of net pension asset (liability) calculated using the discount rate of 7.25 percent through 2016 and 7.50 percent thereafter, as well as what the City's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage point lower (6.25/6.50%) or 1-percentage point higher (8.25/8.50%) than the current rate:

	1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
City's proportionate share of the net pension asset (liability)	\$75,877	\$(30,146)	\$(116,598)

**Pension Plan Fiduciary Net Position:**

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

**NOTE 9 - SIGNIFICANT CONTINGENCIES - LITIGATION**

At December 31, 2015, the City was not involved in any litigation.

**NOTE 10 - SUBSEQUENT EVENTS**

Management has evaluated whether any subsequent events have occurred through, October 24, 2016, the date on which the financial statements were available to be issued. Management has determined there are none.

**NOTE 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2015, the City managed its risks as follows:

**Employee Health Insurance:**

The City purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

**CITY OF ONIDA**  
**NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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NOTE 11 - (Continued)

Liability Insurance:

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

## **SUPPLEMENTARY INFORMATION**

**CITY OF ONIDA**  
**BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES:</b>				
Taxes:				
General property taxes	\$ 156,900	\$ 156,900	\$ 162,091	\$ 5,191
General sales and use taxes	234,000	234,000	278,928	44,928
Amusement taxes	160	160	180	20
Penalties and interest on				
delinquent taxes	400	400	227	(173)
Licenses and Permits	3,250	3,250	3,536	286
Intergovernmental Revenue:				
State shared revenue:				
Bank franchise tax	800	800	650	(150)
Liquor tax reversion	4,500	4,500	4,092	(408)
Motor vehicles licenses (5%)	19,000	19,000	26,040	7,040
Local government highway				
and bridge fund	11,000	11,000	13,150	2,150
County shared revenue:				
County road tax (25%)	2,100	2,100	2,195	95
County wheel tax	1,800	1,800	1,951	151
Charges for Goods and Services:				
Public safety	100	100	4,511	4,411
Culture and recreation	20,500	20,500	25,546	5,046
Fines and Forfeits:				
Court fines and costs	--	--	183	183
Miscellaneous Revenue:				
Investment earnings	700	700	501	(199)
Special assessments	3,000	3,000	2,845	(155)
Contributions and donations from				
private sources	--	--	22,526	22,526
Other	<u>100</u>	<u>100</u>	<u>2,748</u>	<u>2,648</u>
<b>TOTAL REVENUE</b>	<u>458,310</u>	<u>458,310</u>	<u>551,900</u>	<u>93,590</u>
<b>EXPENDITURES:</b>				
General Government:				
Legislative	24,568	24,568	22,711	1,857
Elections	100	100	26	74
Financial administration	38,452	38,452	39,456	(1,004)
Public Safety:				
Police	56,100	56,100	56,201	(101)
Fire	12,500	12,500	13,095	(595)
Public Works:				
Highways and streets	221,176	221,176	72,460	148,716
Culture and Recreation:				
Recreation	52,935	52,935	46,169	6,766

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Parks	21,150	21,150	10,792	10,358
Conservation and Development:				
Economic development and				
assistance (industrial development)	1,500	1,500	--	1,500
Miscellaneous:				
Liquor operating agreements	<u>500</u>	<u>500</u>	<u>400</u>	<u>100</u>
TOTAL EXPENDITURES	<u>428,981</u>	<u>428,981</u>	<u>261,310</u>	<u>167,671</u>
EXCESS OF REVENUE OVER				
EXPENDITURES	<u>29,329</u>	<u>29,329</u>	<u>290,590</u>	<u>261,261</u>
OTHER FINANCING USES:				
Transfers out	<u>--</u>	<u>--</u>	<u>(36,000)</u>	<u>(36,000)</u>
TOTAL OTHER FINANCING USES	<u>--</u>	<u>--</u>	<u>(36,000)</u>	<u>(36,000)</u>
NET CHANGE IN FUND BALANCES	29,329	29,329	254,590	225,261
FUND BALANCE - BEGINNING	<u>1,095,656</u>	<u>1,095,656</u>	<u>1,095,656</u>	<u>--</u>
FUND BALANCE - ENDING	<u>\$1,124,985</u>	<u>\$1,124,985</u>	<u>\$1,350,246</u>	<u>\$225,261</u>

**CITY OF ONIDA**  
**BUDGETARY COMPARISON SCHEDULE – BUDGETARY BASIS**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$145,900	\$145,900	\$ 155,432	\$ 9,532
General sales and use taxes	228,900	228,900	255,947	27,047
Amusement taxes	180	180	168	(12)
Penalties and interest on delinquent taxes	400	400	394	(6)
Licenses and Permits	3,800	3,800	3,225	(575)
Intergovernmental Revenue:				
State grants	--	--	6,538	6,538
State shared revenue:				
Bank franchise tax	500	500	874	374
Liquor tax reversion	4,500	4,500	5,116	616
Motor vehicles licenses (5%)	18,000	18,000	24,535	6,535
Local government highway and bridge fund	9,000	9,000	12,947	3,947
County shared revenue:				
County road tax (25%)	2,100	2,100	2,196	96
County wheel tax	1,700	1,700	1,858	158
Charges for Goods and Services:				
Public safety	300	300	--	(300)
Culture and recreation	20,500	20,500	20,435	(65)
Fines and Forfeits:				
Court fines and costs	--	--	314	314
Miscellaneous Revenue:				
Investment earnings	700	700	570	(130)
Special assessments	3,000	3,000	--	(3,000)
Contributions and donations from private sources	--	--	35,653	35,653
Other	<u>100</u>	<u>100</u>	<u>720</u>	<u>620</u>
TOTAL REVENUE	<u>439,580</u>	<u>439,580</u>	<u>526,922</u>	<u>87,342</u>
EXPENDITURES:				
General Government:				
Legislative	35,968	35,968	36,144	(176)
Elections	100	100	22	78
Financial administration	39,722	39,722	54,478	(14,756)
Public Safety:				
Police	54,403	54,403	54,402	1
Fire	12,500	12,500	12,500	--
Public Works:				
Highways and streets	210,895	210,895	124,258	86,637



**CITY OF ONIDA**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND**  
**DECEMBER 31, 2015 AND 2014**

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Note 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total City budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

The City did not encumber any amounts at either December 31, 2014, or December 31, 2015.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.

Note 2 - Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

**CITY OF ONIDA**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT**  
**TWO YEARS ENDED DECEMBER 31, 2015**

<u>Indebtedness</u>	<u>Long-Term Debt January 1, 2014</u>	<u>Add New Debt</u>	<u>Less Debt Retired</u>	<u>Long-Term Debt December 31, 2015</u>
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	\$ <u>          --</u>	<u>\$494,993</u>	<u>\$137,113</u>	<u>\$357,880</u>
Total	\$ <u>          --</u>	<u>\$494,993</u>	<u>\$137,113</u>	<u>\$357,880</u>

Note 1 - Long-Term Debt

Debt payable at December 31, 2015, is comprised of the following:

Revenue Bonds:

3.0% revenue bond for clean water. The City has not finished borrowing the loan money, so no payment schedule has yet been determined. The City did have \$137,113 of the loan forgiven during the year. The loan is scheduled to mature February 2037. \$357,880